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June 21, 1996

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Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

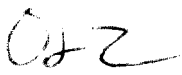
Re: CC Docket No. 96-98,
CC Docket No. 96-45

Dear Mr. Caton

On June 21 Mark Lemler and I met with James Olsen, Thomas Koutsky and Greg Rasston of the FCC staff to review a spreadsheet analysis requested by the FCC. This spreadsheet analysis contains a simulation of industry impacts resulting from various proposals to create competitively neutral subsidy plans. The analysis illustrates the linkage between unbundled element prices, local service prices, and universal service reform. It assumes the pricing of unbundled network elements at TSLRIC as calculated by the "Hatfield Model" (filed in an attachment to AT&T's Reply Comments on CC Docket No. 96-98), and calculates the potential subsidy for each of six population density zones employing the methodology described in AT&T's Comments to CC Docket No. 96-45. As the Hatfield Model was designed to provide conservative estimates of upper bounds for the TSLRICs of unbundled network elements, these estimates of subsidies will be correspondingly high. To the extent better data are available, they may easily be incorporated into the analysis.

Specifically, the analysis will perform the following calculations:

1. The analysis will estimate the unit cost of providing a basic residential local service offering for each of six population density zones, based on the cost of network elements (as determined by the Hatfield Model) used in providing such service, plus retail costs.


cc: [illegible]
[illegible]

2. It compares the cost of this basic residential local service with current local rates, including Touch-tone and Subscriber Line Charges

3. For Density Zones where the local rate is not fully compensatory, the simulator will quantify the possible subsidies based on the number of households in the Density Zone. These subsidies will be split into two components; the first, which might be funded by a competitively neutral National Fund, is based on the difference between TSLRIC (as determined by the Hatfield Model) and a national "affordable rate"; the excess, which might be funded by an optional competitively neutral State Fund, is based on the difference between the national "affordable rate" and current local rates (with an option for including vertical features in the determination of current local rates).

4. In addition, subsidies to support Lifeline subscribers and non-Tier 1 carriers can be added. (See AT&T's Comments to CC Docket 96-45 for the rationale of non-Tier 1 support.)

5. The analysis applies funding offsets to these two funds prior to the quantification of funding requirements from retail revenues. The requirements for a National Fund may be reduced by amounts received by RBOCs representing either the value of Cellular spectrum granted without charge to the RBOCs for which they have received enormous contribution from the pricing of wireless services, or overearnings of their regulated services. The requirements for an optional State Fund may be reduced by offsetting operating profits from Yellow Pages, as the RBOCs were granted the Bell System Yellow Pages by the MFJ for the express purpose of supporting basic local exchange rates.

6. Income for the remaining requirements for both funds would be derived from surcharges on retail revenues, surcharged either directly on the end user, or on telecommunications carriers in a competitively neutral manner. The surcharges may be applied to either all retail revenues, or on only Retail minus Local revenues. For the National Fund, the retail revenues include both Interstate and Intrastate services, while the optional State funds would be limited to surcharges on Intrastate revenues only.

Included in the spreadsheet are the results of a national Base Case analysis, and an analysis for each state. The analysis is limited to a quantification of the subsidies evaluated for the territory served by the major LEC (usually the RBOC) in each state. We are still gathering the data that will enable us to model the territories served by the other Tier 1 companies and non-Tier 1 companies.

We are also including an input sheet that will enable the user to vary inputs for factors affecting the quantification and funding of subsidies and the unbundled network elements. Among those factors are:

1. Factors that impact the determination of TSLRIC for basic local service and the unbundled network elements, including cost of capital, variable overhead, and tax rates.

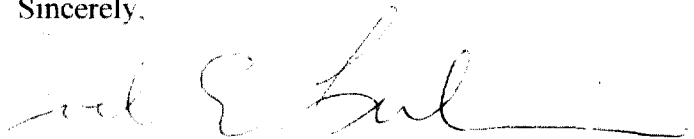
2. Factors that impact the determination of rate levels, including the level of a nationwide affordable rate, level of Subscriber Line Charges, and amount of vertical features included in current rates.

3. Factors that determine the amount of offsets to the respective subsidy requirements prior to calculation of revenue surcharges

Attachment I contains a detailed documentation of the spreadsheet analysis, including the level of inputs used in developing the base case. Specific assumptions were used in developing the rows labeled "Monthly Local Service Rate". We used rates for basic local service from rate tables obtained from a 1994 NARUC report. Where we have knowledge of changes to local rates since 1994, we have incorporated them. We have attempted to slot multiple RBOC rate steps or groups into the six population zones for the purpose of identifying geographically deaveraged subsidies. (It is AT&T's contention that retail rates do not have to be deaveraged; only the subsidies, to the extent they exist, should be deaveraged to reflect the geographic cost differentials by Density Zone.) In doing so, we assumed that subscribers would choose flat-rate pricing over measured service pricing in those states where they have a choice. However, for New York City and Chicago, where measured local service is the only option, we substituted flat-rate prices from corresponding high density rate steps. This has the effect of lowering the Monthly Local Service Rate in Density Zones 5 and 6 in Illinois and New York. As prices in those Density Zones are already compensatory, i.e., rates exceed costs, this assumption does not affect the quantification of the subsidy. In addition, we added an estimate of Touch-tone charges to the rates for those states where the NARUC rate tables did not specify inclusion of Touch-tone in the basic local service offering. Finally, we added the current value of \$3.50 for the SLC. Appendix A of Attachment I are price assumptions specific to each state.

In accordance with Commission Rule 1.1206(a)(1), two copies of computer diskettes containing the spreadsheet, along with printed output reports, are being filed with you for inclusion in the public record. A copy of this transmittal letter is provided for this purpose. Please contact me if you have questions.

Sincerely,



Joel E. Lubin
GA Vice President

Attachments

cc: James Olsen

Thomas Koutsky

Greg Rasston

Description of:

“SUBSIDY” MODEL FOR EVALUATING THE SIZE AND RECOVERY OF ALTERNATIVE UNIVERSAL SERVICE FUNDING OPTIONS

1. Introduction

This model was developed for the purpose of evaluating various options for the composition and recovery of universal service funding requirements to be implemented in the months to come. It has been structured to utilize, to the maximum extent possible, publicly available data. As presently structured, it has the capability to evaluate a wide variety of alternative plans, of which computations have been done for only a few. The model could accommodate, if so desired, many more alternatives with the addition of appropriate data.

The model was built using Microsoft Excel[®] Version 5.0. The sections below describe the various worksheets of the model and the data contained therein.

2. Worksheet “Inputs”

The purpose of this Worksheet is to provide one area to change all parameters required to define a given scenario to be evaluated. Some of the currently defined parameters relate only to very specific scenarios, others are essential to every scenario¹. Additional inputs may be defined and added to this worksheet as new scenarios are defined.

3. Worksheet “Hatfield”

This worksheet contains, as a key input segment of the model, inputs from the “Hatfield Model”². The data is formatted in a manner similar to that displayed in the Hatfield Model documentation. These inputs are copied into the Subsidy Model in Cells A56 through AO110.

The worksheet area immediately above the raw Hatfield data provides the capability to vary, within the Subsidy Model, the assumptions of the Hatfield Model with regard to cost of capital, taxes and overhead. This capability works by backing out, or removing, the components of annual cost attributable to cost of capital, tax and/or overhead based on values in the Hatfield Model and inserting test values as described above in the Inputs Worksheet.

The Subsidy Model contains the following baseline values:

Cost of Capital	10.00%
Overhead	10.00%
Tax Factor	40.00%

These values can be changed as desired to conform with different values which may be used in the Hatfield Model. Meanwhile, as long as the Subsidy Model inputs on Worksheet “Inputs” are identical, there will be no change to the Hatfield data as entered.

¹ The current inputs and their purpose are described in Appendix B. Development of retail revenues from the 1994 TRS Reports is described in Appendix C.

² See Reply Comments of AT&T, CC Docket 96-98, Attachment D, May 30, 1996.

Columns AP through AV contain monthly Local Service TSLRIC values by density zones. The cells contain formulas based on Hatfield methodology and will compute a value which reflects the Subsidies Model inputs for cost of capital, overhead and tax rate.

Column AY contains the national average monthly affordable residential local service rate (including SLC and TouchTone) as defined in Sheet "Inputs". Cell B21. (Note that this rate will change for any scenarios which reflect a change in the monthly SLC rate, but not, in the current configuration of the model, for any other changes).

Columns AZ through BF compute the "national" subsidy for each state in each density zone based on the product of the units (households with telephones) and the difference between the Hatfield monthly TSLRIC cost and the national affordable rate. If the difference is less than zero, the value of the subsidy is zero. One other exception is that if the national affordable rate is less than the ACTUAL rate in the state, the "national" subsidy will be calculated as the difference between the Hatfield monthly TSLRIC cost and the actual rate in the state.

Columns BG through BM contain the actual state residential rates (including SLC and TouchTone)³. Likewise, scenarios which prescribe a change in the monthly SLC rate will cause the "actual" state rates to change also.

Columns BN through BT compute the subsidy for each state in each density zone based on the difference between the Hatfield monthly TSLRIC cost and the actual state rate. If the difference is less than zero, the value of the subsidy is zero. If the national affordable rate is less than the ACTUAL rate in the state, the "national" subsidy and the subsidy calculated on the basis of the actual state rate should be equal.

Columns BU through CA compute the optional state subsidy. This is intended as an option for state regulators in states where the actual rate is LESS than the affordable national rate, to recover the difference between the "national" subsidy and the subsidy as computed on the basis of the actual state rate. Thus, the sum of the "national" subsidy and the optional state subsidy should always equal the subsidy calculated on the basis of the actual state rate. However, where the vertical service revenue option is "on", the subsidy will be based on the difference between the national affordable rate and the actual state rate INCLUDING average vertical service revenue.

4. Worksheet "ARMIS"

Worksheet "ARMIS" contains selected data from Tier 1 LEC ARMIS reports which may serve as a basis for evaluating the magnitude of various subsidies and the efficacy of various recovery options. The ARMIS data in the Subsidies model is as reported by the LECs for calendar year 1995. Lines 1 through 122 of Worksheet "ARMIS" contain all Tier 1 ARMIS data in AT&T's possession as of June 1, 1996. There are a few omissions of which AT&T is aware, e.g., Rochester Telephone. This data can be easily inserted when acquired by AT&T (or any other user of the model). Lines 140 through 190 sum the Tier 1 data to include all Tier 1 companies by state. Lines 240 through 290 sum the data to conform with current Hatfield data, i.e., the single largest LEC, usually a BOC, for each state. The Subsidy model has a switch to permit the use of either of these data sets (see Worksheet "Inputs", Line 9). However, unless and until the Hatfield inputs are updated to include non-RBOC data, it is recommended that the switch be left in the BOC position.

Columns B through J contain data on calls and minutes of use from ARMIS 43-08. Along with the DEM percentages contained in Column K, this data is used to approximate total inter and intrastate

³ Appendix A, Attachment 1 displays the local rates, including SLC and TouchTone, for each density zone of each state and the weighted average rates for each state and each density zone.

minutes of use. Columns R through U contain access revenue data from ARMIS 43-03. This data is used in the calculation of switched access cost per MOU. Columns AA and AB contain the Residence and Business Access Lines by state. Columns AD through AF contain LEC retail, local and toll revenue, respectively. This revenue data is used in the calculation of various hypothetical subsidy recovery alternatives, such as the optional state specific alternative. Columns AL through AO contain penetration percentages by state and residential line data for 1990 and 1995 from the ARMIS 43-01 Report. This information is used to develop a factor to convert 1990 household data into 1995 households with telephones, i.e., households or "primary lines" eligible for a subsidy.

5. Worksheet "Subsidies"

Worksheet "Subsidies" combines data from other worksheets in the model plus some additional data to compute the size of various subsidies based on parameter values specified in Worksheet "Inputs" for the scenario being evaluated.

Line 5 contains the "Economic Subsidy" as computed for each state in Worksheet "Hatfield". Lines 11 through 29 contain the elements of subsidy required to keep non Tier 1 LECs in the same universal service position they were in at the initiation of the recovery mechanisms. These elements include USF, Lifeline/Linkup, DEM weighting, Long Term Support and the difference between the existing non Tier 1 weighted average switched access rate and the Tier 1 switched access rate. The data shown in Worksheet "Subsidies" for non Tier 1 LECs is considered preliminary and is not used in the calculations in this version of the model. Lines 33 through 35 contain current BOC Lifeline/Linkup amounts. Subsidy options can be evaluated based on any combination of the amounts represented by the economic subsidy, non Tier 1 and Lifeline/Linkup. Lines 39 and 40 contain data for two potential offsets to be deducted from the calculated subsidy, Cellular License Value and Interstate Overearnings (the difference between actual 1995 interstate earnings and interstate earnings at 11.25% R/R). If the combination of these two offsets is greater than the calculated subsidy, then there is no subsidy funding by means of telephony revenues. Line 43 contains the optional state subsidy amounts as calculated on Worksheet "Hatfield." Line 44 contains a potential offset to the state subsidy, Yellow Pages earnings. The estimated excess nationwide Yellow Pages earnings, (\$2B) have been allocated to the individual states on the basis of residence and business lines. If the difference between the optional subsidy for a specific state and that state's allocated excess Yellow Pages earnings is less than zero, then there is no subsidy funding by means of telephony revenues. Lines 47 and 48 contain state by state intrastate revenues for use in calculating the optional state subsidy surcharge. Lines 52 through 54 and 56 through 58 contain Residence and Business Subscriber Lines for Tier 1 and RBOCs, respectively. Finally, Lines 60 and 61 contain state by state High Cost Fund information.

6. Worksheet "Report"

Worksheet "Report" describes a limited number of options for recovery of the subsidy, including the economic subsidy plus Lifeline and Linkup, less the Cellular License and Overearnings offsets (non Tier 1 support is not included in the calculations at this time.) As currently configured, Worksheet "Report" calculates a nationwide surcharge collected by carriers from end user customers on all industry retail revenue and also a nationwide surcharge assessed on carriers based on their total retail revenue. A second option calculates the level of surcharge based on retail revenue (end user and carrier) net of local revenue. If the components of the subsidy sum to less than zero, the subsidy is set at zero.

Worksheet "Report" also calculates a nationwide average optional state subsidy recovery using the same end user and carrier retail revenue assumptions. The actual charge for each state would be different. This calculation is intended to be illustrative only. Since the illustrative surcharge level is calculated on the basis of intrastate retail revenue in all states, the surcharge in most states which actually impose it would be higher because many states would not qualify for a surcharge because their rates are higher than the national affordable rate. As shown on Worksheet "State Report", the potential state subsidy recovery is offset by Yellow Pages earnings and the recovery is zero if excess Yellow pages earnings are greater than the calculated subsidy.

7. Worksheet "State Report"

Worksheet "State Report" summarizes, for each state, the Hatfield unbundled elements, the monthly local service TSLRIC by density zone. It also summarizes the amount of economic subsidy, the number of households receiving the subsidy, and the subsidy per line in each density zone. The subsidies are summarized on the basis of the nationwide affordable rate, the actual state specific rate and the optional state specific subsidy.

Surcharges based on state specific intrastate retail revenues and state specific intrastate retail less local revenues are calculated for the recovery of the optional state specific subsidy. The total intrastate revenues have been approximated by "grossing up" the LEC intrastate revenues by the ratio of total industry intrastate revenue to total LEC intrastate revenue. Note again that the surcharge will be calculated as zero if the state specific yellow pages earnings exceed the calculated state subsidy.

8. Worksheet "Total RBOC"

Worksheet "Total RBOC" contains the sums and weighted averages, as appropriate, of the data contained on the individual state reports contained in Worksheet "State Report".

9. Worksheet "Appendix C"

Worksheet "Appendix C" documents the development of the nationwide retail revenue numbers used in the calculation of the surcharges. The primary basis for this development were the TRS reports filed by all carriers in January, 1996.

10. Worksheet "Attachment 3"

Worksheet "Attachment 3" contains data on state specific rates and households. Cells A1 through H58 contain individual state rate data, developed as described in Appendix A, Pages 1 through 5 of this document. Cells A61 through H118 contain 1990 household data by state and density zone⁴. Cells A131 through H188 apply the factor developed on Worksheet "ARMIS" to adjust the 1990 household data to 1995 households with telephones. Cells T1 through AB162 would show vertical service revenue by state and density zone (no data has been inserted at this time). For "What if" purposes, a single

⁴ See Ex Parte statement of USWest, CC Docket 80-286, December 1, 1995.

hypothetical amount can be inserted in all cells based on the amount in Worksheet "Inputs" Cell B22. Cells J1 through R162 show the sum of the individual local rate and vertical service revenue, if any. Cells AD1 through AL162 show the individual state rates net of any vertical service revenue.

11. Worksheet "Capital Ratios"

Worksheet "Capital Ratios" documents the development of factors for use in adjusting Cost of Capital and income tax as applied internal to the Hatfield Model. The assumption is that the annual capital cost (return plus tax only) is directly related to % return and % tax. Return and Tax can be adjusted within this model as controlled by Worksheet "Inputs" Cells B18 and B20. The baseline values for Cost of Capital and Tax are assumed to be 10% and 40%, respectively. These values plus the individual plant category life are used to calculate a baseline ratio of capital cost to investment. This ratio is shown on Worksheet "Hatfield", Line 213. When the Cost of Capital and Tax factors are changed on Worksheet "Inputs", new ratios of capital cost to investment are calculated and displayed on Worksheet "Hatfield", Line 214. Worksheet "Hatfield" uses these ratios to remove the baseline cost of capital (Line 213 times the specific investment from the Hatfield input data) and insert the revised cost of capital (Line 214 times the specific investment from the Hatfield input data). If Cost of Capital and Tax factors are set on Worksheet "Inputs" to 10% and 40%, respectively, there will be no change to the TSLRIC costs as input from the Hatfield Model.

GLOSSARY

TSLRIC - Total Service Long Run Incremental Costs

SLC - Subscriber Line Charge

Economic Subsidy - The sum, for each state, of the differences in each density zone between the Hatfield calculated TSLRIC monthly local service cost and the monthly national affordable local service rate, multiplied by the number of households in the density zone. If the affordable rate exceeds the TSLRIC cost in any density zone, there is no economic subsidy. Additionally, if the actual rate in a state exceeds the national affordable rate, the economic subsidy represents only the difference between the Hatfield TSLRIC monthly local service cost and the actual rate, if positive.

Optional State Recovery - A subsidy for which a state could impose a charge to recover an additional amount if the Hatfield monthly TSLRIC local service cost is greater than the actual state monthly local service rate and the actual rate is less than the national affordable rate. The optional state charge would be set to recover that portion of the difference between the Hatfield monthly local TSLRIC cost and the actual state local service rate which has not already been recovered by the national surcharge.

Cost of capital - For purposes of this model, cost of capital includes a specified return on average net investment plus a gross-up for taxes.

State Specific Rate Assumptions

- 1 Alabama Zone 1 local exchange rate is based on an average of BS rate groups 1 and 2; Zone 2 is based on an average of BS rate groups 3 through 6; Zone 3 is based on BS rate group 7; and Zones 4 through 6 are based on BS rate group 8.
- 2 Arizona Zones 1 through 6 local exchange rate is based on US West local exchange flat rate for all Arizona residence subscribers
- 3 Arkansas Zone 1 local exchange rate is based on SWB rate group 1; Zone 2 is based on SWB rate group 2; Zones 3 and 4 are based on rate group 3 and Zones 5 and 6 are base on rate group 4.
- 4 California Zone 1 local exchange rate is based on a weighted average of Pacific rate groups 9 through 23. Zone 2 rate is based on a weighted average of Pacific rate groups 2 through 8. Zones 3 through 6 rate is based on Pacific rate group 1. The exchanges listed for each rate group indicate that the less populous exchanges have higher rates than exchanges in the more populous areas. This pattern is uncommon among the states.
- 5 Colorado Zones 1 through 6 local exchange rate is based on US West local exchange flat rate for all Colorado residence subscribers.
- 6 Connecticut Zones 1 and 2 local exchange rate is based on SNET rate group 1; Zone 3 rate is based on SNET rate group 2; Zone 4 rate is based on SNET rate group 3; Zone 5 rate is based on SNET rate group 4; and Zone 6 rate is based on SNET rate group 5.
- 7 Delaware Zones 1 through 4 local exchange rates are based on BA rate group X and Zones 5 and 5 rate is based on BA rate group Z.
- 8 District of Columbia Zones 1 through 6 local exchange rate is based on BA local exchange flat rate for all residence subscribers.
- 9 Florida Zone 1 local exchange rate is based on a weighted average of BS rate groups 1 and 2; Zone 2 rate is based on a weighted average of BS rate groups 3, 4, and 5; Zone 3 rate is based on a weighted average of BS rate groups 6, 7, and 8; Zone 4 rate is based on BS rate group 9; Zone 5 is base on a weighted average of BS rate groups 10 and 11; Zone 6 is based on BS rate group 12.

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| 10 | Georgia | Zones 1 local exchange rate is based on BS rate group 2; Zone 2 rate is based on a weighted average of BS rate groups 2, 5 and 7; Zone 3 rate is based on BS rate group 7; Zones 4, 5, and 6 rate is based on BS rate group 12. The other BS rate groups were not used in 1994. |
| 11 | Idaho | Zone 1 local exchange rate is based on US West Northern Idaho rate group 1; Zone 2 rate is based on USW Northern Idaho rate group 2; Zone 3 rate is based on USW Southern Idaho rate group 1; Zone 4 rate is based on USW Southern Idaho rate group 2; and Zones 5 and 6 is based on USW Southern Idaho rate group 3. |
| 12 | Illinois | Zone 1 local exchange rate is based on Ameritech flat rate group 1; Zone 2 rate is based on Ameritech rate group 2; Zone 3 rate is based on Ameritech rate group 3; Zone 4 rate is based on Ameritech rate group 4; Zones 5 and 6 rate is based on Ameritech rate group 5. The Ameritech measured service rates are not reflected in any of rates used in the Zone analysis. The measured service rates are applicable to Chicago and its suburban areas and will result in rates higher than those used in this analysis. |
| 13 | Indiana | Zones 1 and 2 local exchange rate is based on Ameritech rate group 1; Zones 3 and 4 rate is based on Ameritech rate group 2; and Zones 5 and 6 rate is based on Ameritech rate group 3. |
| 14 | Iowa | Zones 1 through 6 local exchange rates are based on US West respective rate groups 1 through 6. |
| 15 | Kansas | Zone 1 local exchange rate is based on a weighted average of SWB rates for rate groups 1 and 2; Zone 2 rate is based on a weighted average of SWB rates for rate group 3 and 4; Zone 3 rate is based on SWB rate for rate group 5; Zone 4 rate is based on SWB rate for rate group 6; Zone 5 rate is based on SWB rate for rate group 7; and Zone 6 rate is based on SWB rate for rate group 8. |
| 16 | Kentucky | Zones 1 through 5 local exchange rates are based on SB respective rates for rate groups 1 through 5; Zone 6 rate is based on SB rate for rate group 5. |
| 17 | Louisiana | Zone 1 local exchange rate is based on SB rate for rate group 1; Zone 2 rate is based on a weighted average of SB rates for rate groups 2 through 9; Zone 3 rate is based on SB rate for rate group 10; Zone 4 rate is based on the weighted average of SB rate for rate groups 11 and 12; Zone 5 rate is based on the weighted average of SB rate for rate groups 13 and 14; and Zone 6 rate is based on a weighted average of SB rate for Zones 15 through 19. |
| 18 | Maine | Zones 1 through 6 local exchange rates are based on NYNEX respective rate groups 1 through 6. |

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| 19 | Maryland | Zones 1 through 4 local exchange rates are based on BA rate for rate group 1; Zone 5 rate is based on a weighted average of BA rates for rate groups 2 and 3; Zone 6 rate is based on BA rate for rate group 4 |
| 20 | Massachusetts | Zones 1 through 6 local exchange rate is based on NYNEX local exchange flat rate for all residence subscribers |
| 21 | Michigan | Zones 1 through 3 local exchange rate is based on Ameritech rate for rate group A; Zone 4 rate is based on Ameritech rate for rate group B; Zone 5 rate is based on a weighted average of Ameritech rate for rate groups C and D; Zone 6 rate is based on a weighted average of Ameritech rate for rate groups E, F and G. |
| 22 | Minnesota | Zones 1 through 4 local exchange rate is based on US West rate for areas outside of Minneapolis/St. Paul. Zones 5 and 6 rate is based on US West rate for Minneapolis/St. Paul. |
| 23 | Mississippi | Zone 1 local exchange rate is based on BS rate for rate group 1; Zone 2 rate is based on a weighted average of BS rates for rate groups 2 through 8; Zone 3 rate is based on a weighted average of BS rates for rate groups 9 and 10; Zone 4 rate is based on a weighted average of BS rates for rate groups 11 and 12; Zones 5 and 6 rate is based on BS rate for rate group 13 |
| 24 | Missouri | Zones 1 and 2 local exchange rate is based on SWB rate for rate group A; Zone 3 rate is based on SWB rate for rate group B; Zone 4 rate is based on SWB rate for rate group C-Principle; Zone 5 rate is based on SWB rate for rate group C-MCA 1; Zone 6 rate is based on a weighted average of SWB rate for rate group D-Principal, D-MCA 1, and D-MCA 2. |
| 25 | Montana | Zones 1 through 6 local exchange rate is based on US West local exchange flat rate for all residence subscribers |
| 26 | Nebraska | Zones 1 through 6 local exchange rate is based on US West local exchange flat rate for all residence subscribers |
| 27 | Nevada | Zones 1 through 6 local exchange rate is based on Pacific local exchange flat rate for all residence subscribers. |
| 28 | New Hampshire | Zone 1 local exchange rate is based on NYNEX rate group 1; Zone 2 rate is based on a weighted average of NYNEX rates for rate groups 2 through 10; Zone 3 rate is based on a weighted average of NYNEX rates for rate groups 11 through 13; Zone 4 rate is based on a weighted average of NYNEX rates for rate groups 15 through 18; and Zone 6 rate is based on a weighted average of NYNEX rates for rate groups 19 through 21. |

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| 29 | New Jersey | Zones 1 and 2 local exchange rates are based on BA rate for rate group A; Zones 3 and 4 are based on BA rate for rate group B; Zone 5 rate is based on BA rate for rate group C; and Zone 6 is based on BA rate for rate group D. |
| 30 | New Mexico | Zones 1 and 2 local exchange rates are based on US West rate for rate group 1; Zones 3 and 4 are based on US West rate for rate group 2; Zone 5 rate is based on US West rate for rate group 3; and Zone 6 is based on US West rate for rate group 4. |
| 31 | New York | Zones 1 through 5 local exchange rates are based on NYNEX respective rates for rate groups 1 through 5. Zone 6 rate is based on a weighted average of NYNEX rates for rate groups 6 through 10. The NYNEX measured service rates are not reflected in any of rates used in the Zone analysis. The measured service rates are applicable to New York City will result in rates higher than those used in this analysis. |
| 32 | North Carolina | Zone 1 local exchange rate is based on BS rate for rate group 1; Zone 2 rate is based on a weighted average of BS rates for rate groups 2 through 4; Zone 3 rate is based on a weighted average of BS rates for 5 and 6; Zone 4 rate is based on BS rate for rate group 7; Zone 5 rate is based on a weighted average of BS rates for rate groups 8 and 9; Zone 6 rate is based on BS rate for rate group 10. |
| 33 | North Dakota | Zones 1 through 5 local exchange rates are based on US West rate for rate group 1; Zone 6 rate is based on a weighted average of US West rates for rate groups 2 and 3. |
| 34 | Ohio | Zones 1 through 6 local exchange rate is based on Ameritech local exchange flat rate for all residence subscribers |
| 35 | Oklahoma | Zones 1 through 3 local exchange rates are based on SWB respective rates for rate groups 1 through 3; Zone 4 rate is based on a weighted average of SWB rates for rate groups 4 and 5; Zone 5 rate is based on SWB rate for rate group 6; and Zone 6 rate is based on SWB rate for rate group 7. |
| 36 | Oregon | Zones 1 through 6 local exchange rate is based on US West local exchange flat rate for all residence subscribers |
| 37 | Pennsylvania | Zones 1 through 5 local exchange rates are based on BA respective rates for rate groups 1 through 5; Zone 6 rate is based on a weighted average of BA rates for rate group 6 and 7. |

38	Rhode Island	Zones 1 and 2 local exchange rate is based on NYNEX rate for rate group 1; Zone 3 rate is based on NYNEX rate for rate group 3; Zone 4 rate is based on NYNEX rate for rate group 4; Zone 5 rate is based on a weighted average of NYNEX rates for rate groups 5 through 12; Zone 6 rate is based on a weighted average of NYNEX rates for rate groups 13 through 21
39	South Carolina	Zone 1 local exchange rate is based on BS rate for rate group 1; Zone 2 rate is based on a weighted average of BS rates for rate groups 2 through 4; Zone 3 rate is based on BS rate for rate group 5; Zone 4 rate is based on BS rate for rate group 6; and Zones 5 and 6 rates are based on BS rate for rate group 7.
40	South Dakota	Zone 1 local exchange rate is based on US West rate for rate group 1; Zones 2 through 4 rates are based on US West rate for rate group 2; Zone 5 rate is based on US West rate for rate group 3; Zone 6 rate is based on a weighted average of US West rates for rate groups 4 and 5.
41	Tennessee	Zone 1 local exchange rate is based on BS rate for rate group 1; Zone 2 rate is based on a weighted average of BS rates for rate groups 2 and 3; Zones 3 through 5 rates are based on BS rate for rate group 4 and Zone 6 rate is based on BS rate for rate group 5.
42	Texas	Zones 1 through 4 local exchange rates are based on SWB respective rates for rate groups 1 through 4; Zone 5 rate is based on a weighted average of SWB rates for rate groups 5 through 7; and Zone 6 rate is based on SWB rate for rate group 8.
43	Utah	Zones 1 through 6 local exchange rate is based on US West local exchange flat rate for all residence subscribers
44	Vermont	Zone 1 local exchange rate is based on NYNEX measured rate in rate group 1; Zone 2 rate is based on a weighted average of NYNEX measured rates in rate group 2 through 4; Zones 3 and 4 rates are based on NYNEX measured rate in rate group 5; Zones 5 and 6 rates are based on NYNEX respective measured rates in rate groups 6 and 7. Assumed Ind. Rate plus Local Usage Package Rate.
45	Virginia	Zones 1 through 4 local exchange rates are based on BA respective rates for rate groups 1 through 4; Zone 5 rate is based on a weighted average of BA rates in rate groups 5 through 7; Zone 6 rate is based on BA rate for rate group 8.
46	Washington	Zones 1 and 2 local exchange rates are based on US West rate for rate group 1; Zones 3 through 5 rates are based on US West rate for rate group 2; and Zone 6 rate is based on US West rate for rate group 3
47	West Virginia	Zones 1 through 6 local exchange rate is based on BA local exchange flat rate for all residence subscribers.
48	Wisconsin	Zones 1 through 6 local exchange rate is based on Ameritech local exchange measured rate for all residence subscribers. Assumed the same usage for all customers -- 100 five minute calls
49	Wyoming	Zones 1 and 2 local exchange rate is based on US West rate for rate group 1; Zones 3 through 5 rate is based on US West rate for rate group 2; and Zone 6 rate is based on US West rate for rate group 3

		STATE SPECIFIC RATES						
		DENSITY ZONE						
STATE		0-5	5-200	200-650	650-850	850-2550	>2550	Average
Arkansas	Rate	\$15.61	\$17.01	\$18.41	\$18.41	\$19.81	\$19.81	\$18.20
	Households	24,468	225,084	103,237	48,853	171,602	1,177	577,970
Kansas	Rate	\$14.00	\$14.62	\$15.35	\$15.65	\$16.00	\$16.80	\$15.61
	Households	20,075	173,704	94,841	39,166	464,854	1,506	764,145
Missouri	Rate	\$11.05	\$11.05	\$12.60	\$13.60	\$14.90	\$15.33	\$13.82
	Households	17,513	260,634	233,964	79,182	589,182	741,796	1,472,242
Oklahoma	Rate	\$12.97	\$13.52	\$14.37	\$14.82	\$16.37	\$17.49	\$15.25
	Households	33,607	237,133	124,564	60,182	896,923	5,477	927,845
Texas	Rate	\$11.83	\$12.03	\$12.48	\$12.78	\$13.36	\$14.13	\$13.24
	Households	64,358	670,351	655,269	273,599	2,155,680	437,877	4,667,134
Illinois	Rate	\$15.54	\$16.68	\$17.69	\$20.24	\$20.24	\$17.67	\$18.55
	Households	4,497	260,129	345,183	154,451	1,110,773	722,108	3,493,143
Indiana	Rate	\$14.19	\$14.19	\$15.45	\$15.45	\$17.31	\$17.31	\$16.35
	Households	2,309	254,268	203,005	83,860	509,197	94,567	1,247,206
Michigan	Rate	\$13.23	\$13.23	\$13.23	\$13.74	\$14.54	\$15.33	\$14.35
	Households	14,806	510,823	86,571	166,709	1,051,778	75,300	2,905,987
Ohio	Rate	\$19.59	\$19.59	\$19.59	\$19.59	\$19.59	\$19.59	\$19.59
	Households	296	311,000	328,922	132,802	896,393	167,794	2,389,206
Wisconsin	Rate	\$15.34	\$15.34	\$15.34	\$15.34	\$15.34	\$15.34	\$15.34
	Households	1,290	183,187	177,669	54,274	423,472	71,618	1,216,409
D of C	Rate	\$18.94	\$18.94	\$18.94	\$18.94	\$18.94	\$18.94	\$18.94
	Households	0	164	1,592	1,721	23,513	94,831	221,332
Delaware	Rate	\$18.09	\$18.09	\$18.09	\$18.09	\$18.29	\$18.19	\$18.19
	Households	69	74,17	35,903	16,171	79,507	6,535	266,416
Maryland	Rate	\$18.74	\$18.74	\$18.74	\$18.74	\$19.58	\$20.31	\$19.55
	Households	1,811	362,169	249,385	94,255	609,656	76,338	1,870,617
New Jersey	Rate	\$11.09	\$11.09	\$11.79	\$11.79	\$12.26	\$11.73	\$12.19
	Households	906	212,621	350,022	145,365	927,382	308,353	2,644,647
Pennsylvania	Rate	\$17.84	\$18.14	\$18.14	\$21.44	\$21.34	\$20.39	\$22.03
	Households	6,131	526,802	419,716	166,997	908,767	739,771	3,459,180
Virginia	Rate	\$12.01	\$13.62	\$14.39	\$15.07	\$16.28	\$16.32	\$15.82
	Households	2,082	356,089	242,756	112,115	706,343	59,000	1,775,987
West Virginia	Rate	\$40.49	\$40.49	\$40.49	\$40.49	\$40.49	\$40.49	\$40.49
	Households	5,963	296,805	78,434	20,853	113,250	13,904	557,299
Alabama	Rate	\$18.39	\$19.41	\$20.15	\$20.15	\$21.50	\$21.30	\$20.32
	Households	16,303	115,769	243,521	69,071	335,719	2,874	1,133,254
Florida	Rate	\$11.16	\$12.14	\$12.86	\$13.55	\$14.03	\$14.35	\$13.66
	Households	12,536	337,453	460,176	230,050	1,109,950	847,860	3,318,941
Georgia	Rate	\$16.00	\$17.14	\$18.15	\$20.95	\$20.95	\$20.95	\$19.16
	Households	15,008	558,842	465,493	184,977	608,695	2,7793	1,956,808
Kentucky	Rate	\$15.67	\$16.52	\$17.19	\$17.84	\$21.95	\$21.05	\$18.39
	Households	5,167	443,965	108,061	29,320	209,529	72,331	788,373
Louisiana	Rate	\$15.56	\$16.64	\$17.44	\$17.86	\$18.28	\$19.64	\$17.73
	Households	32,431	384,205	207,010	73,011	412,003	747,121	1,358,485
Mississippi	Rate	\$20.59	\$22.04	\$23.71	\$24.46	\$24.81	\$24.31	\$23.02
	Households	45,693	442,559	167,941	42,269	180,645	1,3280	902,689
North Carolina	Rate	\$14.19	\$14.85	\$15.44	\$15.91	\$16.33	\$16.36	\$15.59
	Households	2,276	428,647	270,438	92,724	351,340	3,873	1,169,198

		STATE SPECIFIC RATES DENSITY ZONE						Average
STATE		0-5	5-200	200-650	650-850	850-2550	>2550	
South Carolina	Rate	\$17.70	\$18.54	\$19.50	\$19.95	\$20.40	\$20.43	\$19.44
	Households	4,933	311,518	196,955	74,924	214,970	17,463	831,243
Tennessee	Rate	\$11.05	\$12.19	\$15.35	\$15.35	\$15.35	\$15.65	\$14.25
	Households	8,016	530,563	826,915	94,707	159,181	138,687	1,528,170
Massachusetts	Rate	\$21.19	\$21.19	\$21.19	\$21.19	\$21.19	\$21.19	\$21.19
	Households	566	350,877	420,618	138,434	559,240	857,445	2,327,650
Maine	Rate	\$14.85	\$15.24	\$15.61	\$16.02	\$16.45	\$17.50	\$15.71
	Households	6,556	195,194	64,054	11,627	58,730	12,808	689,972
New Hampshire	Rate	\$14.46	\$15.99	\$17.44	\$18.00	\$17.53	\$19.98	\$16.82
	Households	4,533	187,630	83,064	8,419	56,733	11,457	361,883
New York	Rate	\$16.79	\$17.48	\$18.17	\$18.88	\$19.62	\$21.56	\$20.47
	Households	8,082	615,687	418,399	158,465	1,012,354	620,743	5,833,729
Rhode Island	Rate	\$16.64	\$16.64	\$16.78	\$16.89	\$17.35	\$20.16	\$18.42
	Households	32	53,148	52,981	17,486	122,833	33,657	391,436
Vermont	Rate	\$17.49	\$20.13	\$21.79	\$21.79	\$22.89	\$23.79	\$21.04
	Households	3,427	102,944	15,235	4,996	11,815	6,333	174,110
Alaska	Rate							
	Households							
California	Rate	\$16.87	\$15.63	\$15.59	\$15.59	\$15.59	\$15.19	\$15.60
	Households	66,747	664,905	901,592	348,104	3,055,859	164,593	8,201,906
Hawaii	Rate							
	Households	0	0	0	0	0	0	
Nevada	Rate	\$14.34	\$14.34	\$14.34	\$14.34	\$14.34	\$14.34	\$14.34
	Households	13,484	28,023	22,151	2,153	50,191	33,540	157,836
Connecticut	Rate	\$14.87	\$14.87	\$15.87	\$16.87	\$17.87	\$18.87	\$17.01
	Households	2	237,481	281,738	72,642	600,645	280,726	1,239,224
Arizona	Rate	\$15.90	\$15.90	\$15.90	\$15.90	\$15.90	\$15.90	\$15.90
	Households	43,526	167,998	167,070	67,231	704,589	157,640	1,502,053
Colorado	Rate	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29	\$18.29
	Households	38,523	188,903	155,859	66,296	586,785	335,773	1,371,640
Idaho	Rate	\$12.00	\$13.50	\$13.64	\$14.54	\$15.53	\$15.13	\$14.33
	Households	23,599	79,535	51,126	13,881	108,360	8,312	295,024
Montana	Rate	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34	\$17.34
	Households	18,043	47,096	29,396	7,726	27,116	12,095	191,696
New Mexico	Rate	\$14.30	\$14.30	\$15.95	\$15.95	\$15.95	\$19.40	\$16.58
	Households	28,770	105,948	82,031	20,650	8,137	1,712	191,293
Utah	Rate	\$11.48	\$11.48	\$11.48	\$11.48	\$11.48	\$11.48	\$11.48
	Households	18,293	87,647	81,876	33,497	274,823	95,083	591,221
Wyoming	Rate	\$16.98	\$16.98	\$18.05	\$18.05	\$18.05	\$18.38	\$17.67
	Households	848	1,816	1,077	151	2,138	16	6,425
Iowa	Rate	\$14.45	\$14.95	\$16.45	\$16.45	\$16.45	\$18.35	\$16.48
	Households	16,766	169,323	109,284	34,099	273,454	36,937	689,884
Minnesota	Rate	\$17.35	\$17.35	\$17.35	\$17.35	\$18.97	\$18.12	\$18.29
	Households	22,524	225,701	178,442	83,655	651,965	93,620	1,266,917
North Dakota	Rate	\$14.39	\$14.39	\$14.39	\$14.39	\$14.39	\$15.59	\$14.59
	Households	23,534	35,785	20,467	5,889	48,283	30,633	154,609
Nebraska	Rate	\$18.40	\$18.40	\$18.40	\$18.40	\$18.40	\$18.10	\$18.40
	Households	17,853	64,992	29,971	16,011	38,532	36,711	127,079

		STATE SPECIFIC RATES					
		DENSITY ZONE					
STATE		<u>0-5</u>	<u>5-200</u>	<u>200-650</u>	<u>650-850</u>	<u>850-2550</u>	<u>2550</u>
South Dakota	Rate	\$16.34	\$17.04	\$17.04	\$17.04	\$17.84	\$19.24
	Households	32,932	61,108	21,672	8,444	59,984	1,147
Oregon	Rate	\$16.30	\$16.30	\$16.30	\$16.30	\$16.30	\$16.30
	Households	25,336	137,348	84,564	38,112	620,193	1,835,19
Washington	Rate	\$12.25	\$12.25	\$12.25	\$12.25	\$13.00	\$13.50
	Households	22,120	184,298	194,000	79,351	547,870	137,270
Total	Rate	\$15.48	\$16.50	\$16.42	\$16.81	\$16.89	\$18.22
	Households	778,638	12,662,044	9,954,500	6,770,327	24,319,624	99,100,860

Appendix B

Listed below are the current entries on Worksheet "Inputs" and their purpose:

RBOC/LEC Switch	This value determines whether state totals from the ARMIS worksheet are total Tier 1 or RBOC only. (This value is currently set for RBOC only and should remain so until such time as the Hatfield data is updated to include total Tier 1.
Vertical Services Switch	This value enables the user to exclude vertical services from consideration even though the vertical service revenue range on Worksheet "Attachment 3" contains values.
Total Residence Lines	Total Residence Lines, from ARMIS
Total Business Lines	Total Business Lines, from ARMIS.
Retail Revenues	Total telecommunications revenues derived from end users.
Intrastate Retail Revenues	Total telecommunications revenues derived from end users and assigned to the intrastate jurisdiction.
Local Revenues	Total telecommunications revenues derived from end users and classified as local service
Intrastate Retail - Local Revenues	Total telecommunications revenues derived from end users and NOT classified as local service.
Delta SLC/Mo	Changes in SLC assumed as part of a scenario under study.
Cost of Capital	The % cost of capital assumed for the TSLRIC data in the scenario under study.
Variable Overhead	The % variable overhead assumed for the TSLRIC data in the scenario under study.
Tax Factor	The % tax factor assumed for capital cost development in the scenario under study
National Affordable Local Rate/Mo	The rate level, including SLC and TouchTone, which defines the eligibility of lines in each state density zone for the national high cost subsidy. The development of the nominal rate of \$17.70 per month is described in Attachment 2. The user can, however, change this amount as appropriate to the scenario under study.
Weighted Ave Vertical Service Rev	The weighted per month per household (with telephones) nationwide average vertical service revenue
Yellow Pages Earnings (\$M)	The estimated excess nationwide earnings from Yellow Pages revenues.
Cellular License Value (\$M)	The estimated annualized value of LEC (RBOC) cellular licenses.
Aggregate Overearnings	The difference between 1995 RBOC plus SNET interstate actual return and return at 11.25%, grossed up for taxes, based on 492 reports filed in April, 1996.

RETAIL REVENUES (\$M)

Source: 1994 TRS Report, Table 3, released 1/96)

	<u>Total</u>	<u>Interstate</u>	<u>Intrastate</u>
TRS Total	\$183,777	\$80,394	\$103,521
Access	\$44,807	\$24,619	\$10,064
less end user charges	\$20,174	\$11,294	\$1,948
T1-Total	\$24,633		
T1 Adj Factor (Ln.18)	\$1,115		
Net Access	\$23,518	\$13,325	\$8,115
Alternative Access & Other	\$2,168		\$2,168
TRS Retail Revenues	\$148,141	\$61,069	\$88,278
Local Revenues			\$63,983
less Alt Acc & Oth			\$7,168
Net Local Revenues			\$56,815
Retail less Local Revenues			\$32,473

Development of EUCL adj Factor by estimating amount of Tier 1 EUCL Rev

<u>Line</u>	<u>Item</u>	<u>Amount</u>	<u>Source</u>
1	Tier 1 USF Loops	\$3,711,115	USF Data Submission of 1994
2	Non-Tier 1 USF Loops	\$1,440,950	USF Data Submission of 1994
3	Total Loops	\$5,152,065	Line 1 + Line 2
4	Proportion Tier 1 Business Lines	0.72	Annual Tier 1 Telco Data
5	Proportion Tier 1 Residence Lines	0.28	Annual Tier 1 Telco Data
6	Proportion Non-Tier 1 Business Lines	0.30	REA Statistical Summary
7	Proportion Non-Tier 1 Residence Lines	0.70	REA Statistical Summary
8	Tier 1 Business Lines	\$3,711,115	Line 1 + Line 4
9	Tier 1 Residence Lines	\$1,440,950	Line 2 + Line 5
10	Tier 1 Business EUCL	\$6,854,100	Line 8 * \$6.00
11	Tier 1 Residence EUCL	\$2,017,340	Line 9 * \$3.50
12	Total Tier 1 EUCL	\$8,871,440	Line 10 + Line 11
13	Non-Tier 1 Business Lines	\$4,320,000	Line 13 + Line 6
14	Non-Tier 1 Residence Lines	\$1,008,000	Line 14 + Line 7
15	Non-Tier 1 Business EUCL	\$4,320,000	Line 13 * \$6.00
16	Non-Tier 1 Residence EUCL	\$1,008,000	Line 14 * \$3.50
17	Total Non-Tier 1 EUCL	\$5,328,000	Line 15 + Line 16
18	Proportion Tier 1 EUCL of Total EUCL	0.62	Line 12 / (Line 12 + Line 17)

UNBUNDLED ELEMENTS/UNIVERSAL SERVICE REFORM

ASSUMED VALUES

RBOC/LEC Switch=	1
Vertical Services Switch=	1
Total Res Lns (M)	98.39
Total Bus Lns (M)	36.42
Retail Revenues (\$M)	\$148,154
Intrastate Retail Revenues (\$M)	\$88,238
Local Revenues (\$M)	\$63,983
Intrastate Retail - Local Revenues (\$M)	\$29,475
Delta SLC/Mo	\$0.00
Cost of Capital	10.00%
Variable Overhead	10.00%
Tax Factor	40.00%
National Affordable Local Rate/Mo	\$20.00
Weighted Average Vertical Service Rev/Mo	\$0.00
Yellow Pages Earnings (\$M)	\$2,000
Cellular License Value (\$M)	\$1,000
Aggregate Overearnings (\$M)	\$1,072

UNBUNDLED ELEMENTS/UNIVERSAL SERVICE REFORM							
SCENARIO							
<u>ECONOMIC</u> <u>SUBSIDY</u> (\$M)	<u>NON TIER 1</u> <u>SUBSIDY</u> (\$M)	<u>LOW INCOME</u> <u>SUBSIDY</u> (\$M)	<u>CELLULAR LICENSE &</u> <u>OVEREARNINGS</u> <u>OFFSETS</u> (\$M)	<u>NET</u> <u>NATIONAL</u> <u>SUBSIDY</u> (\$M)	<u>OPTIONAL</u> <u>STATE</u> <u>SPECIFIC</u> <u>ECONOMIC</u> <u>SUBSIDY</u> (\$M)	<u>YELLOW</u> <u>PAGES</u> <u>EARNINGS</u> <u>OFFSET</u> (\$M)	<u>NET</u> <u>STATE</u> <u>SUBSIDY</u> (\$M)
\$849.23	NA	\$141.86	\$2,072.35	\$3.00	\$1,078.49	\$2,000.00	\$156.65
NATIONAL SUBSIDY RECOVERY MECHANISMS							
<u>RETAIL</u> <u>REVENUE</u> <u>SURCHARGE</u> (EU)	<u>RETAIL-LOC</u> <u>REVENUE</u> <u>SURCHARGE</u> (EU)		<u>RETAIL</u> <u>REVENUE</u> <u>SURCHARGE</u> (CARR)		<u>RET - LOC</u> <u>REVENUE</u> <u>SCHG</u> (CARR)		
0.00*	0.00*		0.00*		0.00*		
OPTIONAL STATE SPECIFIC SUBSIDY RECOVERY MECHANISMS							
<u>RETAIL</u> <u>REVENUE</u> <u>SURCHARGE</u> (EU)	<u>RETAIL-LOC</u> <u>REVENUE</u> <u>SURCHARGE</u> (EU)		<u>RETAIL</u> <u>REVENUE</u> <u>SURCHARGE</u> (CARR)		<u>RETAIL-LOC</u> <u>REVENUE</u> <u>SURCHARGE</u> (CARR)		
0.18*	0.53*		0.18*		0.53*		

SUM OF MAJOR LEC BY STATE

NETWORK GROUP/NETWORK ELEMENT SUMMARY - UNIT COST

Total Loop	End Office Switching		Signaling			Transport			Oper Sys Per Line-Mo
	Port	Usage	Link	STP	SCP	Dedicated	Common	Tandem	
\$10.90	\$1.26	\$0.002191	NA	\$0.000406	\$0.000872	\$0.001485	\$0.002296	\$0.001649	\$0.158026

Monthly Local Service TSLRIC - Hatfield

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$55.89	\$23.27	\$17.10	\$15.60	\$14.76	\$13.20	\$16.08

Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$15.48	\$16.50	\$16.42	\$16.81	\$16.89	\$18.22	\$17.11

Average Monthly Vertical Services Revenue

\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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Subsidy By Density Zone based on Actual Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$377,224,305	\$1,129,841,861	\$206,834,453	\$45,164,565	\$153,957,366	\$14,690,492	\$1,927,713,041

Primary Lines Receiving Subsidy by Density Zone

778,638	12,014,362	5,293,942	1,368,198	7,810,679	1,395,230	28,661,049
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Subsidy Per Primary Line Per Month By Density Zone based on Actual Rate

\$40.37	\$7.84	\$3.26	\$2.75	\$1.64	\$0.88	\$5.60
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National affordable Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00

Subsidy By Density Zone based on National Affordable Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$333,206,865	\$510,562,128	\$5,458,902	\$0	\$0	\$0	\$849,227,895

Primary Lines Receiving Subsidy by Density Zone

778,638	11,711,403	667,715	0	0	0	13,157,756
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Subsidy Per Primary Line Per Month By Density Zone based on National Affordable Rate

\$35.66	\$3.63	\$0.68	\$0.00	\$0.00	\$0.00	\$5.38
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Optional State Subsidy recovery By Density Zone

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$44,017,440	\$619,279,732	\$201,375,550	\$45,164,565	\$153,957,366	\$14,690,492	\$1,078,485,145

Primary Lines Receiving Subsidy by Density Zone

726,417	11,468,869	5,293,942	1,368,198	7,810,679	1,395,230	28,063,335
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Optional State Subsidy Per Primary Line Per Month By Density Zone

\$5.05	\$4.50	\$3.17	\$2.75	\$1.64	\$0.88	\$3.20
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Variable Overhead=

10.00%

Cost of Capital=

10.00%

MARYLAND

NETWORK GROUP/NETWORK ELEMENT SUMMARY - UNIT COST

Total Loop	End Office Switching		Signaling			Transport			Oper Sys /Line/Mo
	Port	Usage	Link	STP	SCP	Dedicated	Common	Tandem	
\$11.44	\$1.21	\$0.001732	NA	\$0.000291	\$0.000790	\$0.001920	\$0.001027	\$0.001609	\$0.136290

Monthly Local Service TSLRIC - Hatfield

0-5	6-200	201-650	651-850	851-2550	>2550	Total	Cost of Capital= Variable Overhead=	10.00% 10.00%
\$50.37	\$23.77	\$18.11	\$16.56	\$15.34	\$13.83	\$16.39		

Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$18.74	\$18.74	\$18.74	\$18.74	\$19.58	\$20.51	\$19.55

Average Monthly Vertical Services Revenue

\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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Subsidy By Density Zone based on Actual Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$687,385	\$21,874,771	\$0	\$0	\$0	\$0	\$22,562,156

Primary Lines Receiving Subsidy by Density Zone

1,811	362,169	0	0	0	0	363,980
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Subsidy Per Primary Line Per Month By Density Zone based on Actual Rate

\$31.63	\$5.03	\$0.00	\$0.00	\$0.00	\$0.00	\$5.17
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National affordable Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00

Subsidy By Density Zone based on National Affordable Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$660,005	\$16,398,769	\$0	\$0	\$0	\$0	\$17,058,774

Primary Lines Receiving Subsidy by Density Zone

1,811	362,169	0	0	0	0	363,980
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Subsidy Per Primary Line Per Month By Density Zone based on National Affordable Rate

\$30.37	\$3.77	\$0.00	\$0.00	\$0.00	\$0.00	\$3.91
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Optional State Subsidy recovery By Density Zone

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$27,379	\$5,476,002	\$0	\$0	\$0	\$0	\$5,503,381

Primary Lines Receiving Subsidy by Density Zone

1,811	362,169	0	0	0	0	363,980
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Optional State Subsidy Per Primary Line Per Month By Density Zone

\$1.26	\$1.26	\$0.00	\$0.00	\$0.00	\$0.00	\$1.26
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Yellow pages
Offset
\$44,758,028

State Economic Subsidy Recovery Mechanisms

RETAIL REVENUE SURCHARGE (EU)	RETAIL-LOC REVENUE SURCHARGE (EU)		RETAIL REVENUE SURCHARGE (CARR)	RETAIL-LOC REVENUE SURCHARGE (CARR)
0.00%	0.00%		0.00%	0.00%

ARKANSAS

NETWORK GROUP/NETWORK ELEMENT SUMMARY - UNIT COST

Total Loop	End Office Switching		Link	Signaling		Dedicated	Transport		Oper Sys /Line/Mo
	Port	Usage		STP	SCP		Common	Tandem	
\$16.17	\$1.39	\$0.002326	NA	\$0.000864	\$0.000693	\$0.001270	\$0.002327	\$0.002530	\$0.211910

Monthly Local Service TSLRIC - Hatfield

0-5	6-200	201-650	651-850	851-2550	>2550	Total	Cost of Capital=	10.00%
\$46.50	\$26.79	\$20.00	\$17.92	\$17.08	\$15.96	\$21.89	Variable Overhead=	10.00%

Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$15.61	\$17.01	\$18.41	\$18.41	\$19.81	\$19.81	\$18.20

Average Monthly Vertical Services Revenue

\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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Subsidy By Density Zone based on Actual Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$9,069,019	\$26,403,835	\$1,973,735	\$0	\$0	\$0	\$37,446,589

Primary Lines Receiving Subsidy by Density Zone

24,468	225,084	103,237	0	0	0	352,788
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Subsidy Per Primary Line Per Month By Density Zone based on Actual Rate

\$30.89	\$9.78	\$1.59	\$0.00	\$0.00	\$0.00	\$8.85
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National affordable Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00

Subsidy By Density Zone based on National Affordable Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$7,780,057	\$18,327,837	\$3,978	\$0	\$0	\$0	\$26,111,873

Primary Lines Receiving Subsidy by Density Zone

24,468	225,084	103,237	0	0	0	352,788
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Subsidy Per Primary Line Per Month By Density Zone based on National Affordable Rate

\$26.50	\$6.79	\$0.00	\$0.00	\$0.00	\$0.00	\$6.17
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Optional State Subsidy recovery By Density Zone

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$1,288,962	\$8,075,997	\$1,969,757	\$0	\$0	\$0	\$11,334,716

Primary Lines Receiving Subsidy by Density Zone

24,468	225,084	103,237	0	0	0	352,788
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Optional State Subsidy Per Primary Line Per Month By Density Zone

\$4.39	\$2.99	\$1.59	\$0.00	\$0.00	\$0.00	\$2.68
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Yellow pages
Offset
\$14,515,728

State Economic Subsidy Recovery Mechanisms

RETAIL REVENUE SURCHARGE (EU)	RETAIL-LOC REVENUE SURCHARGE (EU)	RETAIL REVENUE SURCHARGE (CARR)	RETAIL-LOC REVENUE SURCHARGE (CARR)
0.00%	0.00%	0.00%	0.00%

KANSAS

NETWORK GROUP/NETWORK ELEMENT SUMMARY - UNIT COST

Total Loop	End Office Switching		Signaling			Transport		Oper Sys	
	Port	Usage	Link	STP	SCP	Dedicated	Tandem	/Line/Mo	
\$14.41	\$1.43	\$0.002703	NA	\$0.000776	\$0.000881	\$0.001230	\$0.004255	\$0.003308	\$0.238617

Monthly Local Service TSLRIC - Hatfield

0-5	6-200	201-650	651-850	851-2550	>2550	Total	Cost of Capital=	10.00%
\$69.75	\$26.09	\$19.77	\$17.97	\$17.29	\$16.23	\$20.18	Variable Overhead=	10.00%

Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$14.00	\$14.62	\$15.35	\$15.65	\$16.00	\$16.80	\$15.61

Average Monthly Vertical Services Revenue

\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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Subsidy By Density Zone based on Actual Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$13,430,425	\$23,907,709	\$5,034,080	\$1,091,030	\$5,669,312	\$0	\$49,132,555

Primary Lines Receiving Subsidy by Density Zone

20,075	173,703	94,841	39,166	364,854	0	692,639
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Subsidy Per Primary Line Per Month By Density Zone based on Actual Rate

\$55.75	\$11.47	\$4.42	\$2.32	\$1.29	\$0.00	\$5.91
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National affordable Monthly Local Service Rate (incl SLC and Touch Tone)

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00

Subsidy By Density Zone based on National Affordable Rate

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$11,985,197	\$12,686,082	\$0	\$0	\$0	\$0	\$24,671,278

Primary Lines Receiving Subsidy by Density Zone

20,075	173,703	0	0	0	0	193,778
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Subsidy Per Primary Line Per Month By Density Zone based on National Affordable Rate

\$49.75	\$6.09	\$0.00	\$0.00	\$0.00	\$0.00	\$10.61
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Optional State Subsidy recovery By Density Zone

0-5	6-200	201-650	651-850	851-2550	>2550	Total
\$1,445,229	\$11,221,627	\$5,034,080	\$1,091,030	\$5,669,312	\$0	\$24,461,277

Primary Lines Receiving Subsidy by Density Zone

20,075	173,703	94,841	39,166	364,854	0	692,639
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Optional State Subsidy Per Primary Line Per Month By Density Zone

\$6.00	\$5.38	\$4.42	\$2.32	\$1.29	\$0.00	\$2.94
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Yellow pages
Offset
\$16,622,973

State Economic Subsidy Recovery Mechanisms

RETAIL REVENUE SURCHARGE (EU)	RETAIL-LOC REVENUE SURCHARGE (EU)	RETAIL REVENUE SURCHARGE (CARR)	RETAIL-LOC REVENUE SURCHARGE (CARR)
0.89%	2.67%	0.88%	2.60%